

Message Text

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ACTION EA-14

INFO OCT-01 NEA-10 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

AGR-20 SCEM-02 INT-08 SR-02 ORM-03 IO-13 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

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R 211005Z SEP 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 6755

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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E.O. 11652: GDS

TAGS : ENRG

SUBJECT : THAI INITIATIVES TO SECURE CRUDE OIL

REF: BANGKOK 14446

SUMMARY: GOV'T AND PRIVATE EFFORTS TO SECURE AN ASSURED SUPPLY OF CRUDE OIL FROM THE MIDDLE EAST HAVE RECENTLY BEEN REPORTED IN THE PRESS AND HAVE SUBSEQUENTLY BEEN CONFIRMED TO THE EMB. IN AN EFFORT TO INSURE AN ADEQUATE SUPPLY OF CRUDE OIL FOR A GOV'T.-OWNED REFINERY AT HOPEFULLY BELOW WORLD MARKET PRICES, RTG AUTHORITIES HAVE OFFERED TO TRADE THAI PARBOILED RICE FOR SAUDI ARABIAN OIL. IN ADDITION, THE THAI INT'L. PETROLEUM CO. (TIPCO) IS CONDUCTING SEPARATE NEGOTIATIONS WITH MIDDLE EAST PETROLEUM EXPORTING COUNTRIES. TIPCO IS OFFERING THESE COUNTRIES EQUITY PARTICIPATION IN A 100,000 BARREL/DAY REFINERY PLANNED FOR

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CONSTRUCTION ON THAILAND'S EAST COAST DURING THE

NEXT THREE YEARS. TIPCO'S OBJECTIVE IS TO INSURE
THE REFINERY OF AN UNINTERRUPTED FLOW OF CRUDE OIL.

1. RICE FOR OIL. MFA SOURCES CONFIRMED PRESS REPORTS
THAT THE RTG HAS OFFERED TO BARTER THAI PARBOILED RICE
FOR SAUDI ARABIAN CRUDE OIL. SAME MFA SOURCES ALSO CON-
FIRMED THE PUBLICLY ANNOUNCED PLAN OF DEPUTY FOREIGN
MINISTER CHARTCHAI TO STOP IN SAUDI ARABIA ON HIS WAY TO
THE U.N. GENERAL ASSEMBLY IN AN ATTEMPT TO NEGOTIATE A
CONTRACT OF RICE FOR CRUDE OIL (REFTEL).

2. THAILAND IS OFFERING SAUDI ARABIA 20,000 MT OF PARBOILED
RICE FOR TWO MILLION BARRELS OF CRUDE OIL DURING
THE REMAINDER OF THIS YEAR, HOPING TO GET THE CRUDE AT A
PRICE BELOW THE CURRENT RATE. THAI OFFICIAL SOURCES ARE
OPTIMISTIC THAT THE DEAL WILL GO THROUGH. THEY CLAIM
SAUDI ARABIA HAS SHOWN GREAT INTEREST IN THE PROPOSAL
DURING PRELIMINARY DISCUSSIONS IN BANGKOK. MOREOVER,
CHARTCHAI IS STOPPING IN SAUDI ARABIA AT THE INVITATION OF
THE SAUDIS ENROUTE TO THE UN MEETINGS IN NEW YORK.

3. THAI INTENTIONS ARE ALSO TO EXPLORE A LONG TERM ARRANGE-
MENT WITH SAUDI ARABIA. THEY WANT TO NEGOTIATE A BILATERAL
TRADE AGREEMENT IN WHICH THE TWO MAIN COMMODITIES WOULD BE
THAI PARBOILED RICE AND SAUDI CRUDE OIL. THE THAI SAY THEY
WANT 20 MILLION BARRELS OF SAUDI CRUDE A YEAR, AND ARE
WILLING TO PAY FOR IT, AT LEAST IN PART, WITH THAI PARBOILED
RICE. MFA SOURCES TOLD EMBOFF THAT IF AGREEMENT
CAN BE REACHED, THE RTG OWNED REFINERY THEN WOULD BE
ASSURED OF AN ADEQUATE SUPPLY OF CRUDE FOR THE PERIOD OF
THE AGREEMENT AND AT A VERY ATTRACTIVE PRICE.

COMMENT: EMBASSY AGATTACHE IS VERY SKEPTICAL THAT DEAL
OF 20,000 MT PARBOILED RICE FOR TWO MILLION BARRELS OF
SAUDI CRUDE WILL GO THROUGH. HE CONTENTS THAT PRESENT
WORLD PRICE OF \$3 A BARREL FOR SAUDI CRUDE WOULD MEAN
A COST TO SAUDIS OF \$300 A TON FOR THAI PARBOILED RICE
WHEN ADEQUATE SUPPLIES OF SAME TYPE RICE AVAILABLE IN
US FOR ABOUT \$250 PER TON.

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4. TIPCO COURTS THE SHEIKHS
IN A SEPARATE AND DISTINCT DEVELOPMENT FROM ABOVE, ADMIRAL
KANAWANDIS DISCUL, CHAIRMAN OF THEBOARD OF THAILAND INTER-
NATIONAL PETROLEUM COMPANY (TIPCO), TOLD EMBOFF THAT TIPCO
HAS INVITED SEVERAL MIDDLE EASTERN COUNTRIES TO CONSIDER
EQUITY INVESTMENTS IN 100,000 BARREL-A-DAY REFINERY TIPCO
PLANS TO CONSTRUCT ON THAILAND'S EAST COAST DURING THE

NEXT THREE YEARS. ACCORDING TO THE ADMIRAL, TIPCO'S PRIMARY OBJECTIVE IN THIS OFFER IS TO ASSURE THEIR PLANNED REFINERY OF AN ADEQUATE SUPPLY OF CRUDE OIL. TIPCO HARBORS NO ILLUSIONS ABOUT OBTAINING A CONCESSIONAL PRICE FOR CRUDE, BUT THEY ARE SEEKING CERTAINTY OF SUPPLY.

5. KANAWANDIS SAID THAT ALTHOUGH THIS OFFER HAD BEEN DISCUSSED WITH KUWAIT, AMONG OTHER OIL EXPORTING COUNTRIES, NO AGREEMENT HAD YET BEEN REACHED. LACK OF AN AGREEMENT ON THIS MATTER WAS HOLDING UP THE WHOLE PROJECT, ACCORDING TO THE ADMIRAL.

6. UNDER PRESENT PLANS, THE TIPCO REFINERY WILL BE CONSTRUCTED BY AN AMERICAN FIRM, FLUOR INDUSTRIES. ANOTHER AMERICAN FIRM WILL BE SOUGHT TO MANAGE THE REFINERY'S OPERATIONS. THE REFINERY WILL BE CONSTRUCTED ON THAILAND'S EAST COAST TO FACILITATE EXPORT OF ITS PRODUCTS TO JAPAN AND THE U.S. EVEN THOUGH CONSTRUCTION ON THAILAND'S EAST COAST WOULD FORCE MIDDLE EAST CRUDE OIL TO TRAVEL FURTHER BEFORE IT REACHED THE REFINERY, THE ADMIRAL MAINTAINED THAT GREATER EASE IN EXPORTING THE REFINERY'S PRODUCTS JUSTIFIED ITS LOCATION.

COMMENT: QUESTIONS HAVE BEEN RAISED ABOUT TIPCO'S SELF PROCLAIMED ABILITY TO CONSTRUCT AN OIL REFINERY OF THE CAPACITY AND LOCATION INDICATED. ONE OIL COMPANY REPRESENTATIVE IN BANGKOK HAS POINTED OUT THAT THAILAND'S EAST COAST PRESENTLY HAS NO DEEP WATER PORT THAT COULD ACCOMMODATE LARGE TANKERS. MORE PARTICULARLY, PM THANOM, DURING SEPT. 19 NEWS CONFERENCE, SAID THAT ALTHOUGH TIPCO HAD PROPOSED THE CONSTRUCTION OF A REFINERY, THE THAI CABINET HAD NOT AS YET ACTED ON THE PROPOSAL. HE ALSO INDICATED SUCH LIMITED OFFICIAL USE

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ACTION WOULD NOT OCCUR UNTIL "SOMETIME IN THE FUTURE."
MASTERS

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